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# OUR TRADE RELATIONS WITH CANADA.

BY JOHN W. RUSSELL.

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THE protectionist principles of President McKinley and his party are combined with the programme of reciprocity for the upbuilding of the export trade of the United States. A change of Canadian policy from protection to tariff reform at a time when the United States is reverting to protection does not obscure a view which has always been clear to the statesmen of the Dominion—the perception of their country's advantage in closer trade relations with the Republic. The nearness and magnitude of the market, together with exceptional inducements of profit and convenience, make such relations in every way most desirable. The Liberal Government now in power at Ottawa are naturally in favor of a commercial treaty with the United States, if it can be obtained on satisfactory terms; and there are reasons why their efforts, if not already doomed to failure by an advance decision at Washington, may meet with a more encouraging reception than those of their predecessors. Accepting in good faith the Republican principle of reciprocity, they simply ask that its application to Canada shall be a matter of business impartiality, and they expect no concessions for which they are not prepared to make a fair return. Have they any well-founded hope of success? Does the failure of past attempts reveal a fixed principle of policy which will again be applied by the United States with a similar result? And is there also a fixed Canadian policy which will prevent compliance with necessary conditions?

The past history of the question shows that political reasons, largely tinged by the memories of two wars, have added their weight to such economic objections to reciprocity as existed, and that in some cases they may have been alone sufficient to prejudice the success of the Canadian proposals. The operation of the

Elgin treaty of 1854 was so beneficial that the people of both countries would gladly have seen it renewed, but hostile feelings prevailed in high places and barred the way.<sup>64</sup> The speech of Sumner and the exasperation due to English aristocratic sympathy with the South told decisively against the Canadian offer. Between 1866, the date of the abrogation of the treaty, and the last effort of the Conservative Administration in 1892, Canada has made six attempts to obtain reciprocity, and the disappointing results have given color to the assertion that the offer which comes from Washington with such good will toward Brazil and the other republics of the continent is not made in the same spirit to Canada. Without discussing the historical incidents of these attempts, it is sufficient to say that those which were made between 1879 and 1892 were subject to the needs of the Canadian protectionists. The Commissioners could not extend their offer so as to include a satisfactory list of manufactures. The protectionists, who controlled the Government, would not allow the imports of Canadian natural products to be paid for in American factory goods. Such a course they deemed ruinous to their interests, and the Government had urgent reasons for respecting their veto. After the passage of the Wilson bill, defective as it was compared with the legislation originally promised, there was a sympathetic response from the Liberals of the Dominion to the friendly policy of the new tariff, and renewed attempts were made to influence Canadian opinion in the same direction. It was generally believed that a return to the McKinley rates was unlikely, and that the United States had entered upon a gradual abandonment of protection. Such hopes as were founded, however, upon the supposed mutual approach of similar economic policies were soon disappointed by the high-tariff reaction. It was then seen that whatever trade concessions might be expected from the larger nation to the smaller would only be given for special reasons and as exceptions to the rule of predominant opinion. This certainly holds good to-day. As the Dingley rates against Canadian natural products were imposed for definite reasons, it is not likely they will be lowered unless inducements are offered other than those which have already been weighed and found wanting in the counsels of protection.

On the other hand, the Canadian situation has recently undergone a significant change. On April 22 last a tariff bill was in-

troduced in the House of Commons which, it is safe to say, was not contemplated by the Liberal leaders a short time ago. Disclaiming retaliation, they have nevertheless been compelled to assume a position determined for them by a partial exclusion from one of the two great markets which absorb nine-tenths of Canadian trade. It is perhaps too early to know whether the task of a reciprocity treaty has been made more or less difficult thereby, as the schedules of the Dingley bill have not been finally determined, and there yet remain ways of approach which otherwise would not be available. But the new tariff practically discriminates against the United States and gives a preference to Great Britain. There is one schedule for those countries which admit Canadian goods free or at minimum tariff rates, and another for protectionist countries. Articles regarded as special sources of revenue and as raw material in certain lines of manufacture will be admitted at fixed rates, irrespective of the country from which they are imported. The new feature of the tariff which attracts most attention is a reciprocity clause whereby a one-fourth reduction in duties is offered after the first year to all countries treating Canada as favorably as the Canadian tariff treats them. This applies at once to Great Britain and New South Wales, and would apply to the United States except for the Dingley bill.

The preference given to Great Britain, which is not special, but results from her position as a free-trade nation, does not involve any departure from the industrial policy under which she has prospered during the past half century, but it has been very warmly received by the friends of imperial preferential trade as an important step towards the realization of their scheme. It is not necessary to dwell here upon the political implications of the new departure with regard to the mother country, but rather to notice that, so far as the United States is concerned, the adverse discrimination is not special, and has no retaliatory feature. None of the existing duties against American goods has been increased, and wherever the interests of Canada demand a cheapening of the necessities of life and the raw materials of manufacture the United States shares in the benefit of reduction, notably in the case of corn, which has been placed on the free list, and of iron and its manufactures.

It is a source of regret to Canadian Liberal statesmen that the

Dingley bill threatens the further restriction of a trade which is so beneficial. Each country produces something which the other has not, or which is superior in quality to a similar product in the other. Brazilian coffee and American cotton goods may seem to the protectionist specially fitted to be the subject of a reciprocity treaty ; but it is no less true that the two contiguous English-speaking countries have climatic differences with resulting products quite as advantageously exchangeable. The Dominion grows better wheat and barley, the Republic grows better corn ; and to the objection that similarity in products partially neutralizes the mutual gain of exchange let the history of the Elgin treaty make answer. To those who denounced that treaty as a one-sided bargain the Hon. George Brown, the Canadian Commissioner to Washington in 1871, showed that during the twelve years of its operation the balance of trade was largely in favor of the United States. Nearness of trade centres in the two countries has in many cases determined the lines of commerce. Ontario prefers to get its coal from Pennsylvania rather than fetch it from the distant mines of Nova Scotia, while the latter are more convenient to the manufacturing cities of New England. If the broad dictates of mutual interest were unchecked we should see the refinements of economic theory cast to the winds.

But right athwart the clear course of commercial advantage come a few dominant conceptions whose influence has been felt for more than a hundred years. These two English-speaking peoples are the product of a schism, and though they have a close social resemblance and a measure of political life in common, they yet hold certain differences to be fundamental. The cabinet system of the one is contrasted with the presidential system of the other ; the respective spheres of federal and State or provincial legislation in both countries widely differ ; more important still, the connection of Canada with Great Britain is a fact which largely modifies economic considerations. The commercial idea, prompted by gain, the national idea, strengthened by patriotic sentiment—these forces have vigorous play between two nations of the same race, and their opposition has created the perplexing resultant which now exists.

Improved trade relations between the two countries must come either through a closer assimilation of their tariffs or by means of a treaty giving mutual preferences and concessions.

The former can only result from a change of policy in the direction of free trade; the latter may be effected by an arrangement for reciprocal commercial advantages agreed upon for special reasons, for a limited time, but without any such change. It is worth while to note the circumstances which, as I believe, have made the latter the less hopeful means of accomplishing the desired end. In the first place, official opinion at Washington and Ottawa has lately become less interested in regard to negotiations for reciprocity. It is now known that the Dominion Government have postponed their intended mission until a more opportune season, and that the recent visit of two Canadian cabinet ministers at Washington disclosed difficulties which have made more improbable the realization of their plans. Some of these difficulties are ascribed to the unfriendly policy of their Conservative predecessors; others they doubtless feel to be connected with past futile attempts and the conviction that inequality of interest makes the stronger and richer power indifferent to the proposals of the weaker. What other construction, indeed, could be placed upon this repeated knocking at the Congressional door which has been rather tardily opened on some occasions, and on others not at all? Apart from the friendly exchange of official courtesies, they might well reflect upon the impression which six or seven failures have produced at Washington, and might very properly ask themselves whether there has not been a resulting loss of dignity in the negotiations. It is quite true that the smaller power should initiate the proceedings; but many Canadians are of the opinion that this has been done often enough, and that one more failure may create the presumption of an American attitude finally adverse and the expression of a fixed policy. It is also true that the Hitt resolution, unanimously recommended by the House Committee on Foreign Affairs, came near passing through Congress; but its promoters were undoubtedly looking to a commercial union which would have compromised the autonomy of the Dominion, and as such would not have been accepted by the Canadian Government and people.

Certain requirements which would be made by the United States as conditions precedent to a treaty are well settled. The terms of the Elgin treaty will never again be considered as a basis of reciprocity, and in any future schedule of exchangeable articles

Canada would have to include a varied list of manufactures, and would be compelled to discriminate against Great Britain. Mr. Blaine announced the governing principle in his report to the Senate dated April 15, 1892. He said: "It was regarded as of essential importance that a list of manufactured goods should be included in the schedule of articles for free or favored exchange. It was the desire of the United States to make a reciprocity convention which would be exclusive in its application to the United States and Canada, and that other countries which were not parties to it should not enjoy gratuitously the favors which the two neighboring countries might reciprocally concede to each other for valuable consideration and at a large sacrifice of their respective revenues." In considering what the Dominion Government would be willing to concede, it is necessary to say that the present situation is not summed up in the mere replacement of a Conservative by a Liberal Administration; it rather concerns the modified attitude of the whole electorate. Any one who has carefully observed the course of political opinion in Canada during the last few years knows that the requirements of the United States with regard to a reciprocity treaty could not be met. No arrangement involving a common tariff for the two countries as against the rest of the world would be considered, nor would a discrimination against Great Britain. Nor could the Liberal Government, consistently with their promises, offer to admit such a variety of manufactured goods as would injure too suddenly and severely the manufacturing interests which have grown up in the Dominion since 1879. It is not necessary here to refer to the legal or constitutional objections which Great Britain might interpose. But it could not be expected that the Government of the United States would give a favorable hearing to proposals which did not meet all the conditions imposed by that contracting party which, in any scheme of reciprocity, must be predominant. There can be little doubt that at Washington the whole subject is viewed with comparative indifference. To the United States the Dominion is only one of many countries with which a reciprocity agreement may for special reasons modify the present policy of protection; but to the Dominion the United States is one of the two great markets with which nearly all her trade is done.

Under conceivable circumstances the 70,000,000 of the Republic might well demand political union as the condition

precedent to a share in their industrial privileges. But high protection and a denial of reciprocity do not mean a pressure which may not be borne. It is a mistake to suppose that if the American farmer is protected against Canadian agricultural products he is therefore, on the whole, less free from competition. He already produces more than he can sell at home, and his hope and interest point as well to foreign markets. His Canadian rival is also resolved to sell his surplus produce, and if the States immediately across the border will not buy from him he will look towards Liverpool. He has already cultivated the English market with excellent results, and to it he will transfer the competition he is denied on his own continent. The American shipments which bring such good returns abroad will have to meet the displaced Canadian products which Mr. Dingley and his friends have sent there. The Dominion Government have already taken special measures whereby connection with the British market will be made more frequent and remunerative.

As to discrimination against England, there is unquestionably an increased repugnance to it among all classes of the Dominion. The protective tariff of 1879 was a blow at British free trade, but it was an assertion of fiscal independence which gratified domestic pride, and the acquiescence of the mother country was an additional proof of her respect for colonial rights. A very different feeling would be aroused if a Canadian Administration were now to propose a treaty giving any foreign nation preference over British goods in the Dominion. Already a policy has been declared under which such a course would be impossible. Both political parties are pledged against any such preference, and Mr. Laurier is no less emphatic than Sir Charles Tupper.

Though writers like Mr. Goldwin Smith may appeal with confidence to the doctrine of the economic unity of this continent, the power of sentiment and political affiliation will largely nullify their most cherished formulas. Geography may make nations friends, but only in co-operation with more potent forces. Desirable as are closer trade relations between the two countries, it is futile to hope for them in the face of a policy which, though it may not be intentionally unfriendly, would mean commercial atrophy for Canada if the British market did not exist. The idea of a common race and origin is not yet strong enough



for the hard maxims of competition, and until it is the Dominion may not expect any more economic consideration than Brazil or Mexico. Thousands of Americans may contend that she deserves less, since the latter are republics while the former is in their eyes an outpost of monarchy. To what extent anti-British feeling may aid protectionist principles it is impossible to say ; but it is none the less true that there is in the United States a phase of thought and a school of journalism which disposes of the whole question by the alleged rule of political necessity. Not Canada, but Great Britain, is the chief object of its attention. It seems to look upon a modification of the Dominion's political status as necessary to a final determination of the point at issue. In effect it demands : Cease your connection with the Old World and accept unreservedly the democracy of the new ; dissolve your relation as the western arm of an Empire which ought not to have voice or direction on this continent ; leave feudalism and its hereditary rank and precedence on the soil where they have so long grown—do this or you shall not have access to the markets of the Republic ; we do not wish our business relations with you to be in any way conditioned by your political relations with a foreign state. The fact that Canada has already complied with some of these conditions is apparently not recognized ; that she still retains a political connection with England makes her answerable for all the rest.

These views probably have a numerous following, but do not stand for the sanity and self-control of the best American thought, and are therefore not so formidable if one should apply Matthew Arnold's test and weigh opinions instead of counting them. But whatever their extent and importance they ought not to encourage the supposition that the Dominion is such a suppliant for commercial opportunities that she is willing to barter her nationhood in order to obtain them. Her choice of an independent course is now a matter of open political record, and carries the clearest implication as to those countries with which she will trade and on what conditions. So far as the Republic is concerned it is not to be expected that the Canadian offer of freer trade, as contained in the general reciprocity clause of the new tariff, will induce any important modifications of the Dingley bill. The protectionists are in office, and they will have their way for the present. But recent indications may

suggest to them the precarious tenure on which their power rests. Public opinion in the United States shifts to and fro rapidly until stable conditions answer its expectations, and the Republican party will speedily be judged by the effects of its policy. The friends of tariff reform are already preparing to fight the battle over again, and were never more deeply convinced of the truth of their principles. The Liberals of the Dominion will watch their efforts with sympathetic interest, hoping that the cause whose triumph was nullified for a time by party treachery will yet prevail. When that time comes, as they believe it will come, they will no longer rely upon special negotiations to secure the benefits of freer trade.

JOHN W. RUSSELL.